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ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN SEPTEMBER

The economy registered little change in September. The index of industrial production fell to 112 percent of the 1957 average, 1 point below the August level. Steel output exceeded 2 million tons a week, but automotive production, which was down 13 percent from September last year, rose less than seasonally. Output of electric power, bituminous coal, and petroleum increased after allowance for seasonal influences. Department store sales were at the August level of 150 percent of the 1947-49 average. New car deliveries by automobile dealers were disappointing in the first part of the month, but picked up well in the last third.

A marked increase in military expenditures was an important factor in the business picture. As a result, the federal deficit was running about $2 billion above the corresponding period last year.

Construction Steady

A small increase occurred in new construction expenditures during September, a gain of 1 percent at the seasonally adjusted annual rate. All of the rise, which brought the unadjusted total to $5.4 billion, was in public construction, with highways and military facilities the prime contributors.

Private construction was steady at $3.7 billion, which represented a small gain on a seasonally adjusted basis. Residential building was off less than seasonally, and nonresidential building and public utility construction made small advances. Of the major types of private construction, only farm construction was down more than seasonally.

In the first nine months of 1961, total construction was 2 percent above the corresponding period in 1960, with most of the advance attributable to increased public expenditure.

Further Rise in Sales and Inventories

Sales of manufacturing and trade firms increased $1.2 billion to $62.9 billion on a seasonally adjusted basis in August. Wholesalers experienced a 4 percent gain, while manufacturers and retailers each had increases of 1 percent. Both the durable and nondurable goods groups contributed to the sales advance in wholesale trade. The rise in manufacturing sales was shared by most hard goods industries other than motor vehicles, while that in retailing was concentrated in nondurable goods.

Inventories of manufacturers were up $500 million in August after allowance for seasonal influences, whereas wholesale stocks held steady and those of retailers fell $200 million as a result of a cut in inventories of automotive dealers. The total book value of manufacturing and trade inventories at the end of the month amounted to $92.1 billion on a seasonally adjusted basis, about $1 billion less than the year-earlier total.

New orders received by manufacturers were up 3 percent from July to August after adjustment for seasonal factors. Much of the gain occurred in those durable goods industries benefiting from defense business, particularly the aircraft and electrical machinery industries.

Record Farm Output in Prospect

Present estimates indicate that 1961 farm output will equal 1960's record level of 127 percent of the 1947-49 average. Meat, milk, eggs, and other livestock products are expected to exceed 1960 production by 5 percent, approximately offsetting lower output of field crops. At the beginning of September crop production was estimated to be down 4 percent from last year, but the October forecast is expected to raise the prediction. The wheat harvest is down 10 percent from 1960 and feed grain output down 11 percent. However, production of soybeans is slated to rise 29 percent, and increased sugar and tobacco outputs are anticipated. Beef production is expected to rise 3 percent and milk flow 1 percent.

The 1960 farm output was 8 percent above domestic and export needs, so 1961 is not likely to make the surplus disposal job of the Agriculture Department any easier.

Consumers Still Wary of Debt

Consumers expanded their short- and intermediate-term instalment debt $26 million in August, after allowance for seasonal factors. Automobile paper outstanding declined $87 million, the ninth consecutive drop in this adjusted series. This was more than offset by an increase of $82 million in personal loans and small increases in repair and modernization loans and in other consumer goods paper. At the end of August, total consumer instalment debt amounted to $42.6 billion.

Additions to charge accounts and to service credit accounted for nearly all of a $73 million gain in noninstalment debt, which brought the total of this category to $12.3 billion at the end of August. Total consumer debt amounted to $54.9 billion on August 31, $800 million more than the year-earlier figure.

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The Uninvited Guest

On September 7, President Kennedy wrote the heads of 12 steel companies asking them to absorb a scheduled wage increase on October 1 without raising steel prices. The reason for this letter was the President's concern that "a steel price increase in the months ahead could shatter the price stability which the country has now enjoyed for some time." A price increase in steel, according to the President, would add materially to costs of the defense program both directly and through price increases in other industries. In addition, such a price increase might serve as a basis for new wage demands by the steel workers when collective bargaining negotiations begin next year.

This letter has created a considerable furor. In his answer to the President, Roger M. Blough, president of United States Steel, expressed resentment at the government's seeming "to be assuming the role of informal price-setters for steel." To Mr. Blough, as well as to many others, the President's letter raised questions of much greater import than the immediate issue of a price increase, serving to encroach on "future freedom in marketing." Other critics of this letter have referred to it as "economic McCarthyism" and as interference with the mechanism of free markets and the private enterprise system.

Tempest in a Teapot?

The use of moral persuasion by the Administration in wage negotiations is not new. Similar attempts had been made by both Presidents Truman and Eisenhower. The only novel feature of President Kennedy's letter is its much firmer tone and, perhaps, the use of statistical data to show that the steel companies could operate profitably even at present prices.

Furthermore, there would seem to be little validity in the argument that this approach goes beyond the sphere of government regulation of the free enterprise system. The area of collective bargaining is no exception. Collective bargaining procedures, wages, and working conditions have been subject to some regulation for many years. Wage negotiations are frequently carried out in the presence of government mediators, and often with the active participation of United States Department of Labor representatives. Accordingly, why the furor?

The Outsider

The primary reason for the furor seems to be that this action symbolizes an attempt by the government to inject the influence of the consuming public into price and wage decisions. In the case of wages especially, negotiations are carried out between what are, in effect, two monopolies — a monopoly representing the workers and a monopoly representing management. This is especially true with the current prevalence of industry-wide bargaining. The agreement reached by these monopolies is invariably, and naturally, one that serves their own self-interest and little more.

Under these circumstances, it does not take knowledge of economic theory to demonstrate that such agreements may not be in the best interests of most of the population, particularly in view of the absence of any expression of sentiment from consumer groups at these sessions.

It may be argued that the protagonists are consumers themselves. However, there is little doubt that most people in such a bargaining situation consider first their well-being as a union or a management executive with only minor attention to the welfare of consumers in general. Indeed, the more they can get for their own side, the better off *they* are as consumers, whereas the reverse is true of the rest of the population (at least until even higher increases are negotiated in other industries). Everybody may be against higher costs and price levels, but only in the abstract. How many workers or management executives are likely to forgo increased wages or prices for the sake of not rocking the boat — especially when one can rationalize that only slight rocking would result anyway?

For the Benefit of All

To be sure, the two parties are subject to certain constraints. If the wage increase obtained by the union is unusually high, management programs for technological displacement of workers will receive even greater impetus. If management grants a large increase with the expectation of passing it on to the consumer, the resulting rise in price may lead to loss of market share to other products. However, these are generally not tight constraints. Unions have been known to demand, and obtain, substantial increases despite certain technological aftereffects; and management has been known to miscalculate the effect of price increases on product demand. There is little doubt that more than one wage increase has been negotiated with a tacit understanding that the cost of the increase would be passed along to the consumer.

Accordingly, it seems clear that if prices are to be kept under control, principal labor agreements are best carried out in the presence of the most important group of all, the public, and in the light of its best interests. In view of the fact that the public is not organized, and in view of the absence of any United States Department of the Consumer (although such a department is being considered), it would seem only reasonable for the government to act on their behalf. Whether this is best accomplished in the form of Presidential letters or in some other way is a moot point. The important thing is that both unions and management should be apprised of the probable consequences of particular agreements on the national welfare, and be influenced accordingly.

In the present instance, a price increase would hardly

(Continued on page 6)

CORN REFINING

The significance of corn in American agriculture is generally recognized, but less commonly known is the importance of that type of corn processing termed "wet-milling," or corn refining.

Wet-milling is markedly different from dry-milling, feed-mixing, and distilling — the three other major types of processing of commercial corn — which mainly involve the crushing, mixing, and fermenting of corn, respectively. Instead, refiners are chiefly concerned with the separation of various parts of the kernel, and with the further conversion of these parts into products quite dissimilar to their original form.

A comparatively young industry, corn refining originated with the discovery in 1842 of a practical way to obtain starch from corn on a large scale. However, the industry faced formidable competition during its early years from older sources of starch, such as wheat and potatoes. After the Civil War, the industry grew rapidly. Contributing to this growth were such factors as the discovery of various products other than starch that were obtainable from corn, the growing awareness of greater starch yields at lower cost per acre than any other grain, and finally, the attraction of plentiful year-round supplies unequaled by any other grain.

Before the turn of the century, many production plants had begun to consolidate in order to improve their competitive positions. By 1910, numerous small, inefficient plants were either abandoned or razed. Today, there are only 13 plants in the nation engaged in the extraction of cornstarch and its derivatives. These plants, all in the Corn Belt, are characteristically large. They employ complex processes and utilize huge volumes of raw material in their operations. Altogether, the industry in 1958 employed some 13,000 persons and shipped a product valued at more than $500 million.

Illinois — National Leader

Because of its proximity to raw materials, as well as its central position in relation to national markets, Illinois has played a major role in the industry since the 1880's. Not only has the State been a major producer, but it also has contributed materially to the development of scientific techniques of corn refining. Such basic processes as separation of the oil-bearing germ, recovery of corn oil, and manufacture of concentrated steepwater were first discovered and utilized in the state's plants.

Today, Illinois is the top corn-refining state. The 7,000 employees in the State make up more than half the total industry work force. Moreover, about three-fifths of the $500 million in shipments during 1958 originated from Illinois plants.

Illinois has only four refineries, but that number is greater than in any of the other five states with mills. These four plants together account for more than 60 percent of the industry's annual grind of about 160 million bushels. Largest of the mills here is the Corn Products refinery at Argo, near Chicago, which has an annual capacity of 35 million bushels. Besides Corn Products' other mill at Pekin, plants are operated in Illinois by A. E. Staley, at Decatur, and Union Starch and Refining, at Granite City. Staley and Corn Products are the nation's two largest manufacturers of corn products.

Manufacturing Process

Largely as a result of scientific research, corn refining has developed into a rigidly controlled and complicated process in which the four basic components of the kernel (starchy mass, hull, germ, and gluten) are utilized with little waste.

Wet-milling, as the term implies, requires large quantities of water. In fact, the typical plant employs water to move the raw materials, both along and downward, through a succession of chemical and mechanical processes. After cleaning, shelled corn is softened by immersion in warm water for several days. The swollen kernels are coarsely ground to free the oil-bearing germs, which are floated off in separating tanks. After the degerminated mass is finely ground, vibrating and revolving screens shake the hulls and fibers from the starch granules and gluten. The heavier starch is separated from the lighter gluten by the centrifugal force of high-speed machines.

At this point, the starch content can be either dried or further processed into syrups or sugars. Dried cornstarch is then ready for sale as a food or for industrial purposes. Wet starch, on the other hand, is mixed with water and heated in the presence of hydrochloric acid, resulting in a chemical action which, essentially, breaks it down first into syrups and then into sugars.

Uses and Consumption

The most important product sold by the industry is dried cornstarch, which accounts for about one-third of total sales. The paper industry is the largest consumer of cornstarch, followed by textiles, brewing, and candy.

Syrups and sugars together comprise another third of sales. About 95 percent of corn syrup sales are made to confectioners, syrup-mixers, ice cream producers, soft drink bottlers, and other food manufacturers, with the remainder being utilized in nonfood items, such as adhesives, rayon, leather, and tobacco. Crude sugar, because of its bitter taste, is used primarily for nonfood purposes; refined corn sugar is used almost exclusively in the making of food products, particularly bakery items.

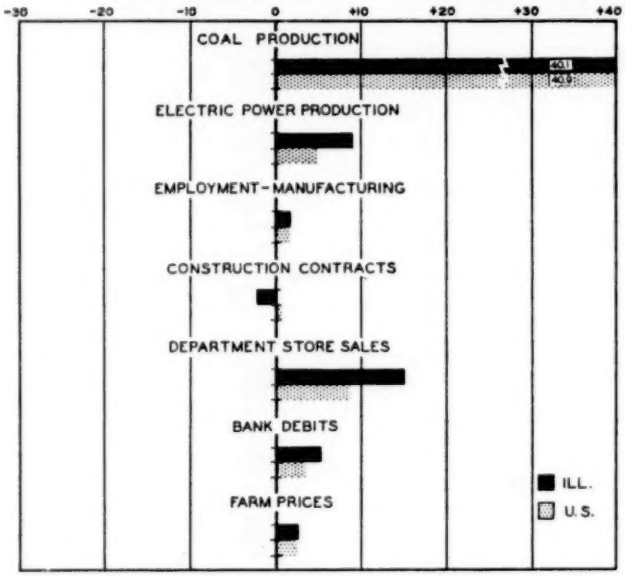
Another important product is corn oil, an edible vegetable fat extracted from the corn germ. Refined corn oil is employed chiefly for cooking purposes, as well as for a mayonnaise and salad dressing base. Crude corn oil is also used in making soap, glycerin, and dyes.

Most other by-products are extensively utilized in livestock and poultry feeds. Gluten, the protein substance of the kernel, may be made into corn gluten meal or may become a primary ingredient in corn gluten feed. Even steepwater, the water in which corn is soaked prior to processing, has value. It is not only an important corn gluten additive, but has also found application in the manufacture of antibiotics, such as penicillin, and drugs.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS[a]

Percentage changes, July, 1961, to August, 1961



[a] Not seasonally adjusted.

ILLINOIS BUSINESS INDEXES

Item	Aug. 1961 (1947-49 =100)	Percentage change from July 1961	Percentage change from Aug. 1960
Electric power[1]	280.0	+ 9.0	+ 5.8
Coal production[2]	82.3	+40.1	- 2.9
Employment—manufacturing[3]	96.9	+ 1.7	- 1.5
Weekly earnings—manufacturing[3]	176.8[a]	- 1.1	+ 4.1
Dept. store sales in Chicago[4]	124.0[b]	- 9.5	+ 2.5
Consumer prices in Chicago[5]	130.8	- 0.1	+ 0.4
Construction contracts[6]	367.6	- 2.1	-12.7
Bank debits[7]	231.7	+ 5.1	+ 1.4
Farm prices[8]	82.0	+ 2.5	+ 2.5
Life insurance sales (ordinary)[9]	309.5	+ 1.5	- 3.0
Petroleum production[10]	120.4	+ 0.5	- 1.8

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U.S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.

[a] Data for July, 1961, compared with June, 1961, and July, 1960. [b] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Aug. 1961	Percentage change from July 1961	Percentage change from Aug. 1960
	Annual rate in billion $		
Personal income[1]	419.3[a]	- 0.5	+ 3.5
Manufacturing[1]			
Sales	379.2[a]	+ 1.3	+ 5.0
Inventories	54.0[a, b]	+ 0.9	- 1.8
New construction activity[1]			
Private residential	25.4[c]	- 0.8	+ 4.4
Private nonresidential	19.3[c]	- 0.1	+ 5.4
Total public	20.5[c]	+ 3.8	+ 3.5
Foreign trade[1]			
Merchandise exports	19.6[d]	- 3.6	- 3.6
Merchandise imports	15.2[d]	+ 3.9	+10.3
Excess of exports	4.4[d]	-22.9	-32.8
Consumer credit outstanding[2]			
Total credit	54.9[b]	+ 0.4	+ 1.8
Instalment credit	42.6[b]	+ 0.4	+ 1.5
Business loans[3]	35.8[b]	+ 0.7	- 1.7
Cash farm income[3]	32.6[d]	+10.9	- 0.9
	Indexes (1947-49 =100)		
Industrial production[3]			
Combined index	113[a, e]	+ 0.9	+ 4.6
Durable manufactures	108[a, e]	+ 0.9	+ 3.8
Nondurable manufactures	119[a, e]	0.0	+ 3.5
Minerals	99[a, e]	+ 0.1	+ 0.1
Manufacturing employment[4]			
Production workers	97	- 0.2	- 2.7
Factory worker earnings[4]			
Average hours worked	101	+ 0.3	+ 0.8
Average hourly earnings	176	- 0.4	+ 3.1
Average weekly earnings	177	- 0.2	+ 3.9
Construction contracts[5]	311	+ 0.4	+ 7.5
Department store sales[2]	150[a]	- 0.7	+ 4.2
Consumer price index[4]	128	- 0.1	+ 1.1
Wholesale prices[4]			
All commodities	119	+ 0.3	- 0.2
Farm products	89	+ 2.0	+ 2.5
Foods	108	+ 0.7	+ 0.4
Other	127	0.0	- 0.6
Farm prices[3]			
Received by farmers	89	+ 2.3	+ 3.5
Paid by farmers	120	0.0	+ 0.8
Parity ratio	80[f]	+ 1.3	+ 1.3

[1] U.S. Dept. of Commerce; [2] Federal Reserve Board; [3] U.S. Dept. of Agriculture; [4] U.S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.

[a] Seasonally adjusted. [b] End of month. [c] Includes Hawaii and Alaska. [d] Data for July, 1961, compared with June, 1961, and July, 1960. [e] 1957 = 100. [f] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1961					1960
	Sept. 23	Sept. 16	Sept. 9	Sept. 2	Aug. 26	Sept. 24
Production:						
Bituminous coal (daily avg.)...thous. of short tons	1,443	1,462	1,441	1,381	1,349	1,391
Electric power by utilities...mil. of kw-hr	15,025	15,869	15,838	16,214	15,491	14,556
Motor vehicles (Wards)...number in thous.	91	82	102	115	83	140
Petroleum (daily avg.)...thous. bbl.	7,145	7,111	7,162	7,051	7,054	6,877
Steel...1947-49=100	123	118	118	118	117	90
Freight carloadings...thous. of cars	606	594	513	599	592	618
Department store sales...1947-49=100	154	150	129	154	152	148
Commodity prices, wholesale:						
All commodities...1947-49=100	118.6	118.7	118.7	118.8	118.9	119.2[a]
Other than farm products and foods...1947-49=100	127.2	127.3	127.4	127.5	127.4	127.9[a]
22 commodities...1947-49=100	84.4	85.1	85.1	84.9	85.0	83.6
Finance:						
Business loans...mil. of dol.	31,937	31,728	31,548	31,476	31,498	31,770
Failures, industrial and commercial...number	337	292	275	321	352	321

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for September, 1960.

RECENT ECONOMIC CHANGES

Corporate Profits Up

Corporate profits in the second quarter rose to an annual rate of $45.5 billion, an increase of $5.5 billion over the cyclical low of the first quarter. The second-quarter rate of corporate profits came close to the rate of the second quarter of 1960 but was below the $47.5 billion cyclical peak reached in the first quarter of that year.

Roughly two-thirds of the advance in corporate profits from the first quarter occurred in manufacturing, as sales and profits margins rose in a number of industries with the upward turn of the business cycle. Earnings of automobile manufacturers showed marked improvement from the low winter quarter, and profits in several other durable goods lines increased substantially.

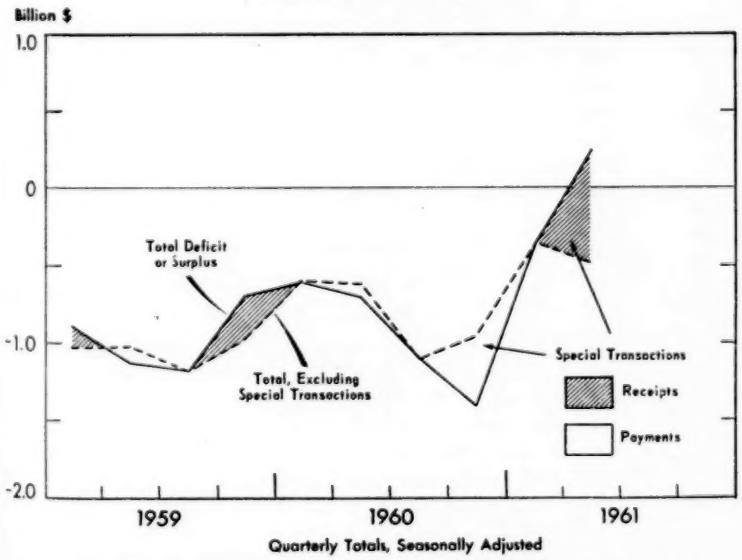
This increase in corporate profits contributed to a rise in national income for the second quarter to an estimated $426 billion. This is an all-time record annual rate, $14 billion above the first quarter, and $7 billion higher than the previous peak of $419 billion reached in mid-1960.

Balance of Payments Turns Favorable

The balance of international payments for the second quarter of 1961 showed an excess of receipts over payments of about $90 million, as shown in the accompanying chart. This favorable balance was the result of advance repayments of postwar loans by Germany, the Netherlands, and the Philippines, amounting to nearly $650 million, and advance receipts of $75 million from amortization and interest due in the third quarter.

If these advance repayments and receipts were omitted, total payments would have exceeded receipts by more than $600 million. The major factor in the increase in net payments in the second quarter was a decline in the trade balance because of lower exports. Most of this decline was due to transitory factors, particularly the postponement of cotton shipments pending higher export subsidies in the current crop year.

BALANCE ON U.S. INTERNATIONAL TRANSACTIONS*



* Measured by changes in gold and convertible currencies held by U.S. monetary authorities and changes in U.S. liquid liabilities.
Source: U.S. Department of Commerce, *Survey of Current Business*, September, 1961, p. 7.

Net outflows of American capital declined by about $50 million from the first to the second quarter of this year. Most important was the drop in the outflow of funds for short-term investments, which had been exceptionally high in the three preceding quarters. Direct investments also were less than in the previous quarter, declining some $46 million.

During the second quarter, holdings of gold and convertible currencies by United States monetary authorities increased by $330 million. However, this increase was partly offset by a $240 million rise in our liquid liabilities to foreigners, which are principally in the form of foreign deposits in American banks and foreign holdings of short-term United States government securities.

Plant and Equipment Investment Increases

The seasonally adjusted annual rate of business investment in new plant and equipment was at a cyclical low of $33.5 billion during the second quarter. This was $300 million below the rate anticipated in the June forecast. Such investment is now expected to rise to $34.8 billion in the third quarter and to $35.9 billion in the fourth quarter, according to the SEC and the Department of Commerce. These latter rates reflect increases of $200 million and $400 million respectively from the previous forecast. Total capital expenditures for 1961 are expected to amount to $34.5 billion, 3 percent below those reported for 1960 and unchanged from the total anticipated in the March and June surveys.

Manufacturing firms now expect to spend about 5 percent less in 1961 than in 1960. Nondurable goods industries have programmed a 3 percent rise in outlays, while durable goods companies show a decline of 12 percent. Railroads anticipate a decline to a level almost 40 percent below last year. Other major groups expect that their 1961 investments will be about the same as 1960.

Except for railroads, all major groups expect to raise their outlays in the fourth quarter over the early part of the year. Sharp increases, ranging from 8 percent to 13 percent from recent recession lows, are indicated by nondurable goods manufacturing companies, commercial firms, and public utilities.

Housing Starts

Construction was begun on 129,200 housing units in August, 1961, compared with 127,900 in July and 135,100 in August, 1960, the Department of Commerce reports. However, the rise from July to August was somewhat below the normal increase between these two months.

Private housing starts totaled 126,100 units in August, up 1 percent from the revised July total of 124,700 and 3 percent below the 130,300 units started in August, 1960. On a seasonally adjusted basis, August private housing starts were at an annual rate of 1,317,000 units, 2 percent below the 1,338,000 units in July. Sectionally, housing starts were down in the West and the Northwest and were higher in the North Central region and in the South.

Building permits covering 108,780 new privately owned housing units were issued in

August, 1961. This represented a seasonally adjusted annual rate of 1,104,000 units, slightly above the July, 1961, seasonally adjusted annual rate of 1,064,000 units.

Personal Income Levels Off

Personal income in August was at a seasonally adjusted annual rate of $419.5 billion, up 4 percent from a year ago. However, this was $2 billion below July, which had included a special insurance dividend payment to veterans.

Most of the advance in August came from increased wages and salaries, up a half-billion dollars from July. This payroll increase came mainly from a 1 percent gain in the nonmanufacturing industries. For the first time since the March upturn, factory payrolls did not advance. Chiefly responsible was the sharp decline in transportation equipment payrolls as the annual changeover in automobile models caused the usual temporary layoffs in auto plants. Apart from the large drop in transfer payments, personal income from sources other than wages and salaries was little changed in August.

Retail Sales

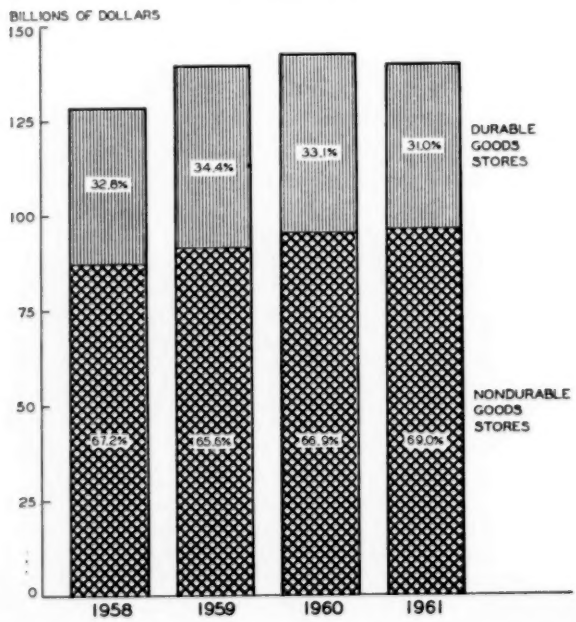
Total sales of all retail stores in August were $18.3 billion, virtually unchanged from July after adjustment for seasonal variations and trading day differences.

August sales in most individual lines of trade were also close to July. Average monthly sales in this period were about the same as in the spring quarter, with higher sales of nondurable goods offsetting a reduction in durables.

Compared with August, 1960, sales of the food group rose 4 percent and those of the general merchandise group were up 5 percent. Sales of all other major groups except gasoline service stations, which rose 4 percent, either stayed the same or showed slight declines from the previous year. Sales of the furniture and appliance group were off 2 percent, the apparel group stayed the same, and eating and drinking places reported a decrease of 1 percent. The biggest decline came in the automotive group, down 7 percent from the previous year.

As illustrated in the chart, total sales of all retail stores for the first eight months of 1961 amounted to $139.9 billion, 2 percent less than sales during the same period in 1960. Nondurable sales rose 1 percent to $96.5 billion, whereas sales of durables declined 8 percent to $43.4 billion.

SALES OF ALL RETAIL STORES
First Eight Months, 1958 to 1961



Source: U.S. Department of Commerce.

Manufacturing Abroad by U.S. Companies

Sales of goods manufactured abroad by the foreign subsidiaries and branches of United States companies amounted to nearly $24 billion in 1960, according to the Department of Commerce. This was a gain of about 12 percent over the previous year, and over $5 billion more than sales in 1957, the first year for which such data were available.

Output of American companies in Europe accounted for 60 percent of the increase in sales of the foreign plants since 1957 and amounted to $9.3 billion in 1960. Sales in Canada have risen much less since 1957, and were up only 2 percent above the 1959 level, reflecting the lower level of economic activity in that country. Since 1957, production by American-owned manufacturing plants in Latin America increased 14 percent to $3.2 billion in 1960.

Expanded output of transportation equipment accounted for 40 percent of the $2.5 billion rise in sales of the foreign plants, with most of the increase centered in Europe and Latin America. Substantial expansion was also reported in the machinery-producing industries and in chemicals. In Europe, food industry sales were up $140 million, or nearly 20 percent, over the previous year, while primary and fabricated metal industry sales rose $120 million, up more than 25 percent over 1959.

Increase in Corporation Working Capital

The net working capital of United States corporations, excluding banks and insurance companies, increased a record $3.6 billion during the second quarter of 1961 to a total of $137.9 billion. The increase reflected a $4.8 billion rise in current assets offset in part by a $1.2 billion increase in current liabilities.

In addition to the gain in working capital during the second quarter, corporations invested $7.5 billion in plant and equipment and $200 million in other assets. To finance this $11.3 billion of corporate expansion, corporations obtained 70 percent from internal sources, such as retained earnings and depreciation accruals, 11.5 percent from sale of new stocks, and 18.6 percent from new bonds and long-term borrowing. The proportion obtained from external sources was higher than in recent quarters.

The Uninvited Guest

(Continued from page 2)

seem to be in the national interest. (In view of the present competitive position of the steel industry, a price increase would hardly be in its best interests, either.) It does not seem unwarranted to bring this to the attention of the steel companies, particularly since it is suggested that this might serve as a talking point with the union when new wage demands are negotiated.

To be sure, three is a crowd, even among monopolies. The fact is, however, that the economic system is supposed to operate for the benefit of everybody, not just unions or management. It is only proper that the people, through their government, be concerned in such decisions.

RF

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

College Plans of High School Seniors

Almost half of all nonfarm high school seniors, but only about a third of farm seniors, reported definite plans in October, 1960, to attend college in 1961. Over two-thirds of students from high-income families ($7,500 or more), but only about a fourth of students from low-income families (less than $3,000), had definite plans to attend college. Economic reasons for not attending college were cited more frequently by farm than by nonfarm high school seniors.

About 25 percent of the boys who planned to attend college named engineering as their major, while 22 percent of the girls designated education as their major field of study. Over a fifth of the high school seniors who planned to attend college had not yet decided on a major field, according to the United States Bureau of the Census.

Of those high school seniors who had no definite college plans, economic reasons were given by a large proportion. "Lack of money" was specifically reported by 28 percent of this group.

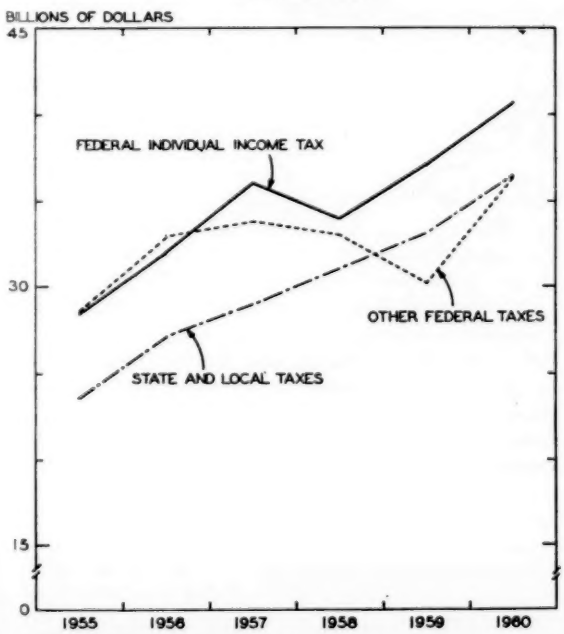
Governments' Revenue and Debt Increase

Taxes collected by all governments in the United States — federal, state, and local — in their fiscal years that ended during 1960 amounted to $113.4 billion, as compared with the 1959 total of $99.6 billion. Tax revenue of state and local governments was up 12.5 percent to $36.4 billion in fiscal 1960, compared with $32.4 billion the previous year. As shown in the accompanying chart, federal tax revenue also rose, from $67.3 billion in fiscal 1959 to $77.0 billion in fiscal 1960.

Taking account of all revenue sources, governmental revenue in fiscal 1960 amounted to $154.4 billion. This sum was $20.5 billion more than the 1959 figure of $133.9 billion. The 1960 total was 40 percent above the figures for 1955, as the chart indicates.

Despite the gain in taxes and other revenue, the total indebtedness of governments increased $7.2 billion during the 1960 fiscal year to $356.1 billion. The federal public debt amounted to $286.3 billion of this total.

FEDERAL, STATE, AND LOCAL TAX REVENUE, 1955 TO 1960



Source: U.S. Bureau of the Census.

New Printing Method

A new method of pressureless printing has been developed by Stanford Research Institute's graphic sciences laboratory at Menlo Park, California, according to *Business Week*.

The process, developed for the Electrostatic Printing Corporation of America, is considered promising for printing on a wide variety of surfaces, ranging from low-grade newsprint to objects (such as bottles) that would not stand up under the physical pressure applied in conventional printing. The image is fixed to the surface by heat treatment. Image quality is virtually the same, whatever the printed surface. An electrostatic printer costs only half as much as a conventional printing press and should provide better control of the printing process.

School Enrollment Projections

School enrollment in 1980 could be as high as 75 million but will probably increase only to 62 million, according to projections announced by the United States Bureau of the Census. This compares with a present enrollment of a little over 46 million.

On the basis of an assumed continuation of recent levels of fertility and enrollment rates, the projected school enrollment of 62 million in 1980 would include 41 million in elementary schools, nearly 15 million in high schools, and more than 6 million in colleges. This compares with an estimated 46.2 million total enrollment at the beginning of the 1961-62 school year, of which nearly 32.5 million were in elementary grades, about 10.3 million in high school, and 3.5 million in college or professional school.

New Business Cycle Data

The Bureau of the Census will make available to the general public this month for the first time a new publication, *Monthly Report on Current Business Cycle Developments*. This report has been going confidentially to top government officials for the past four years.

The new publication will contain a series of tables showing the movements over the business cycle of about 350 economic indicators. Some 70 of these are considered to be leading indicators that tend to turn up or down before business as a whole. The data will be prepared on Census Bureau computers in the five days immediately preceding publication, to be about the 20th of each month. No interpretation or conclusions with respect to what the data indicate at the time will be offered by the bureau.

This approach to business cycle forecasting was developed by the National Bureau of Economic Research and has been used by other private forecasting services. The Census Bureau publication will make a larger number of indicator-series available at an earlier date each month than forecasters have had before. It can be obtained from the office of the Chief Economic Statistician, United States Bureau of the Census.

THE ILLINOIS INDUSTRIAL DEVELOPMENT ACT

JOSEPH D. PHILLIPS, Research Professor

On August 10 of this year Governor Otto Kerner signed into law a group of bills designed to stimulate industrial development in areas of Illinois suffering from chronic unemployment. By this act Illinois joined a lengthening list of states that have adopted measures to provide financial and other assistance to local community industrial development programs.

The Illinois legislation was drafted by a committee appointed in the spring of 1961 by Governor Kerner. The chairman of the committee, Donald R. Bonniwell, general partner in Cruttenden, Podesta and Company, Chicago investment firm, had a leading role for ten years in the Puerto Rican program of industrial development.

The Problem in Illinois

The need for action to encourage industrial development in certain areas of Illinois has been accepted by the government of the State for some time. Legislation was adopted some years ago permitting local communities to issue bonds for the purpose of building industrial plants that would be rented on terms designed to attract business to these communities. In addition, a Division of Industrial Planning and Development was established in the state government to publicize the advantages to industrial firms of location in Illinois and to assist local communities, particularly those suffering economic decline, in their efforts to attract new plants to their environs.

However, there has been considerable doubt as to the constitutionality of the municipal financing measure. It has never been tested in the courts. Moreover, many communities could not sell on favorable terms the small bond issues required. In these circumstances, the limited powers of the State Division of Industrial Planning and Development were particularly ineffective.

Meantime, the problem of distressed areas has gone unabated. A number of communities, particularly in the southern part of the State, have suffered long-term economic decline as a result of reduced demand for coal and technological unemployment of miners. Others have had their economic base wiped out over a shorter period as a result of the closing down of the major plant in the area. Still others have experienced periodic large-scale unemployment because their one industry was particularly vulnerable to cyclical fluctuations in demand. In varying degrees these conditions have produced chronic unemployment, extensive losses by merchants located in the area, and declining tax revenues.

Approaches to the Problem

One "solution" to the problem has been to do nothing about it. Gradually, workers move to other parts of the country where opportunities appear to be greater. Some capital is transferred, other capital is lost, and new capital avoids the declining community. In some cases this may be the only feasible solution. However, it is a very painful one. People are reluctant to move from areas in which they have grown up and have family ties. Many workers have insufficient resources to cover the expense of a move to another area where job prospects may be generally better, but specifically quite uncertain. Some assistance in the transition may be offered, as the recently adopted federal Area Development Act attempts in part to do, in the form of retraining programs, subsistence payments for workers undergoing job retraining, and payments to assist those moving to areas where jobs are available. However, present legislation provides very little in the way of funds for this kind of aid, and there is not much political support for such programs.

The principal approach to the problem of long-term local economic decline has been to encourage the location of new industrial plants in the area by advertising its advantages as an industrial site, by directly soliciting industrial firms, and by offering financial inducements, primarily in the form of plants made available at low rentals. A number of states have enacted legislation that provides state financial assistance in the form of loans or grants to local community groups engaged in constructing low-rent plants for industrial firms that have agreed to move into their respective areas. The Pennsylvania Industrial Development Authority makes second-mortgage loans to community nonprofit corporations in labor surplus areas for industrial building purposes. These cover up to 30 percent of the total cost, provided the local group invests equity capital equal to 20 percent of the cost, arranges for private institutions to provide the rest, and secures a long-term lease or purchase agreement with a responsible industrial firm to equip, occupy, and operate the facility. The authority has a revolving capital fund of $8 million, appropriated by the legislature. It cannot borrow, and it cannot build or own industrial buildings.

Similar measures have been adopted by a number of other states. In fact, the general procedure is used in various parts of the world. For example, the Northern Ireland Development Council in conjunction with the Ministry of Commerce attempts to overcome the problem of unemployment there by attracting new and expanding firms with financial and other inducements, including leases on modern factories at concession rents.

The competition for industry from states offering special inducements is one reason that other states feel increasingly the need to adopt similar measures. Governor Kerner referred to "the present highly competitive situation" in industrial development and to "the present industrial plant 'buyers' market'" when he announced the appointment of a committee to develop legislation of this type. Undoubtedly this competition for new plants by state and local authorities results in some duplication of effort and some movement of industry that would not otherwise take place.

What the Act Provides

The Illinois Industrial Development Act differs in important respects from the legislation of other states. It creates an Industrial Development Authority that will build and own industrial plants in areas of critical labor surplus with funds that it obtains by borrowing on the strength of the rentals to be paid by the industrial firms leasing these plants. Thus the act does not make state assistance contingent upon partial financing by local governmental or nonprofit agencies and by private banking institutions, as do the industrial development acts of other states.

There were two principal reasons for this provision: (1) Many of the areas in greatest need of assistance are in no position to provide funds for the construction of plants. Their tax resources are already strained to the limit of the law, and private donors are few and greatly restricted in their ability to contribute. However, some

of these areas are in a position to contribute land to the authority for the project, and it is expected that the authority will attempt to secure donations of land with the improvements required for industrial operations. (2) The borrowing power of the authority is greatly enhanced by ownership of the plant and the land on which it is situated and by the undiluted right to the rental income from it. It is expected that the authority will be able to borrow funds at very favorable rates through the sale of its bonds and through the issuance of other obligations. This will reduce the costs that must be covered by rental income and thereby make possible more attractive rentals.

The act differs from those of some states in not providing for legislative appropriations as a major source of funds for industrial development. It does provide for an initial appropriation of $500,000 to the Illinois Industrial Development Fund, which serves as a basic guarantee of the obligations issued by the authority. The volume of obligations that can be issued is limited to ten times the amount in this fund. However, this is just the sweetening; the funds used for constructing industrial plants will be obtained by borrowing in the open market, and the costs will be met out of rentals. No pledge of the state's credit is to be offered when bonds issued by the authority are sold. Nor does the authority have any power to levy taxes.

Other unusual features of the act are the provisions it contains for additions to the revenues of local authorities and the State. Local property taxes on the plant and land will be paid by the industrial company leasing the property. This will tend to raise the tax revenues of the areas in which the plants are located. The State will benefit from payments into its general funds whenever rental revenues exceed costs and whenever the authority sells a plant at the end of the lease period.

How the Act Will Work

Detailed procedures to be followed in the administration of the act have not yet been worked out, but it is possible to indicate the general pattern that will be followed. The first step will be to find an industrial corporation that can be induced to lease a plant, built to its specifications, in the area of critical labor surplus seeking assistance. Local government officials, chamber of commerce representatives, or other local groups are expected to take the initiative in the search for an industrial prospect. The Executive Director of the Board of Economic Development will assist in the effort and may initiate the search in some cases. Officers of the Development Authority will no doubt participate in the discussions at an early stage, since they will be in the best position to provide estimates of rental charges.

In most cases local authorities or a nonprofit private organization will donate the land on which the plant is to be built and make whatever improvements are required in the way of public utilities and access roads, although the act gives the authority power to buy the land and furnish the improvements where necessary. It should be noted that donations of land and provision of public services by local authorities or groups will reduce the costs that must be covered by plant rentals and thus provide greater inducement to industrial corporations to locate in the area.

When terms of the lease have been arrived at, the Development Authority will enter into a lease agreement with the industrial firm for a period sufficient to cover the costs of the plant, including interest on the funds borrowed by the authority and an allowance for its general expenses. The authority will then contract with a construction firm to build the plant according to the leasee's specifications. The rental payments will be used to service the loans obtained by the authority. At the end of the lease period, when the full costs will have been paid off, the authority will enter into a new lease agreement with the occupant or sell the plant to the firm, in either case on terms that will constitute strong inducement to continued operation. If the firm decides not to take advantage of these terms or if it breaks its lease agreement, the authority will attempt to lease or sell the plant to another industrial enterprise.

Any return over costs obtained by the authority from renewal of the lease or sale of the plant and site will go into the general revenue fund of the State, except as funds may be needed to reimburse the Industrial Development Fund for prior disbursements that have not been covered by previous sales and rental proceeds. The local community will benefit from the jobs provided by the plant and from the increased tax revenues.

Some Problems

Will the favorable rental terms on an industrial plant, constructed to the firm's requirements, provide sufficient inducement to bring industry into areas of critical labor surplus in Illinois? The experience of states that have employed this device as a means of encouraging industrial development suggests that it is a decisive factor in the location decisions of some firms. States that do not offer this type of assistance may be at a disadvantage in competition for new industrial plants with states that do. Therefore, the act may be justified as a defensive measure, if for no other reason. Whether it will result in the desired volume of industrial expansion in areas that have been declining economically remains to be seen.

How will the act affect the distribution of plant location in Illinois? The authority is directed to withhold its assistance from any industrial project that would replace any industrial facility presently located within the State, unless it is convinced that the latter facility is otherwise likely to relocate outside the State. However, it is probable that areas eligible for assistance from the authority will attract some firms that, in the absence of the programs, would have located plants in other parts of Illinois. Some communities that have raised their own industrial development funds will find it difficult to offer industrial firms inducements comparable with the low rentals that communities with IIDA assistance will be able to offer.

However, it does not seem likely that areas of the State with no critical labor surplus will suffer significantly as a consequence of the program. Economic expansion in the depressed areas may spill over to some extent into the areas of greater economic activity. If the costs of public assistance in the areas of critical labor surplus can be reduced or kept below what they would be in the absence of industrial expansion, the rest of the State will benefit. Reduction of the tendency toward greater concentration of industrial activity in certain parts of the State would relieve some of the congestion that has become one of our major social problems.

All things considered, there is reason to anticipate favorable results from this legislation. It has much to recommend it over legislation adopted by other states for the same purpose. It does not create new taxing bodies or provide for tax exemptions. It takes advantage of lower interest costs on large bond issues. And it makes available expert supervision of the program, both initially and during the period of each lease.

LOCAL ILLINOIS DEVELOPMENTS

Public Aid Declines Slightly

The Illinois Public Aid Commission reports that the state's payments for public assistance increased $47.5 million, or 67 percent, during the fiscal biennium which ended July 1. The higher costs resulted from increased unemployment and discontinuance of unemployment benefits in several highly industrialized communities and in parts of southern Illinois during the latter half of 1960 and early 1961.

Both the number of recipients and the cost of public assistance in Illinois dropped slightly during July, 1961, as they had in the three preceding months. Despite these declines, however, the number on the rolls and the cost of the program were still considerably higher than in July, 1960.

The declines in general assistance were partly due to seasonal employment and partly to the transfer of children with unemployed parents to the aid to dependent children program. About 9,100 such children were transferred from general assistance in June in accordance with recent state and federal legislation which permits unemployed families to receive help through the federal aid to children program.

Port Facilities Improved

The international trade fairs and world marketing conferences held in Chicago continue to focus attention upon the importance of the port of Chicago as a connecting link between overseas markets and the Midwestern area of the United States. To handle expected increases in traffic on the Great Lakes, the St. Lawrence Seaway, and the Illinois-Mississippi Waterway, Chicago is making extensive harbor improvements.

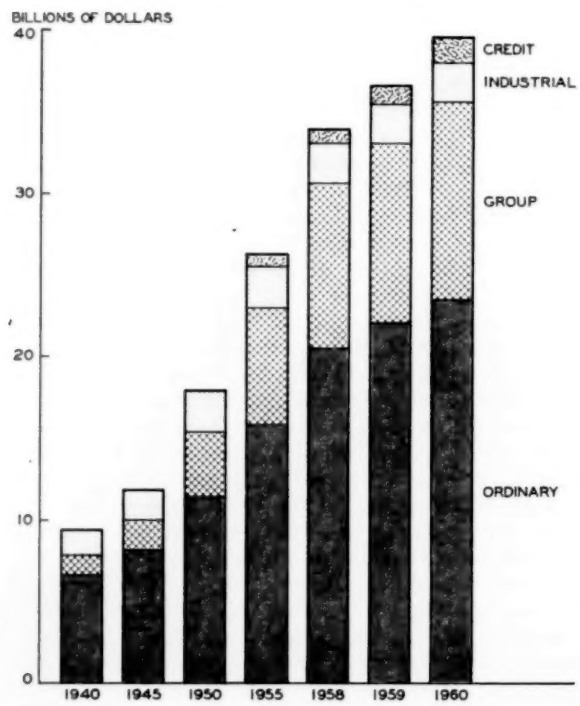
In the downtown harbor area, which includes the Chicago River and Navy Pier, improvements costing $10 million are nearing completion. Existing facilities at Navy Pier have been modernized, a new 2,300-foot dock and a warehouse have been built, and the harbor area is being dredged to a uniform depth of 27 feet. This will make it possible for Navy Pier to accommodate six average-sized ocean vessels at one time and will make it accessible to the largest ships capable of using the St. Lawrence Seaway.

Approximately 15 miles south of the Loop at Lake Calumet Harbor, the Chicago Regional Port District has made harbor improvements costing $24 million over the past five years and has recently accepted bids for new facilities costing another $24 million. These will include a 10-million-bushel grain elevator, three 500-foot wharves with cargo sheds, new warehouse facilities, and a boxing plant. Private construction includes a new 200-million-gallon bulk-liquid terminal and iron ore unloading and storage facilities.

In addition Congress has been asked to approve appropriations totaling several million dollars for dredging the Calumet Harbor from its depth of 21 feet to the full seaway depth of 27 feet and straightening the river channel that connects the harbor with Lake Michigan.

These improvements will expedite service in and out of Chicago and will permit year-round port operations, since commodities such as grain, bulk liquids, and scrap metal can be stored in harbor facilities during the fall and winter months, ready for overseas shipment when the St. Lawrence Seaway is opened in the spring.

LIFE INSURANCE IN FORCE



Source: Institute of Life Insurance.

Illinois Highway Construction

Illinois is making better-than-average progress on its portion of the National System of Interstate and Defense Highways. Almost 32 percent has been completed, compared with 26 percent for the nation as a whole. By July 1, Illinois was using 505 miles of the 1,586 miles which will be built in the State under the program.

The Illinois Department of Public Works and Buildings reports that 123 miles of interstate highways are now under construction in the State; engineering has been authorized for an additional 218 miles; right-of-ways have been acquired for 281 miles; and funds are still to be authorized for 458 miles. This department has also announced that the Illinois Division of Highways has received low bids totaling $16.8 million on 71 construction and related projects on the state's 1961 program. Largest of these projects were those involving construction and other work on Interstate Route 57 in Effingham County, for which the low bid was $3,325,000.

Life Insurance in Force

Illinois ranked fourth in the nation in life insurance ownership in 1960, as in other recent years. The Institute of Life Insurance reports that Illinois families owned slightly more than $39.5 billion of life insurance in 1960, compared with $36.6 billion in 1959 and $34.0 billion in 1958.

The record 1960 amount included $23.5 billion or 59.5 percent of the total in ordinary life insurance, $12.2 billion in group life insurance, $2.4 billion in industrial life insurance, and $1.4 billion in credit life insurance.

From 1959 to 1960 the greatest percentage gain was in credit life insurance, with an increase of 41 percent. During the same period, group life insurance increased 11 percent and ordinary life insurance 6 percent, whereas industrial life insurance decreased 1 percent.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

August, 1961

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		$45,507[a]	1,377,106[a]	$492,541[a]		$20,256[a]	$15,538[a]
Percentage change from	July, 1961	+33.1	+9.0	−9.5	+15	+5.1	+8.4
	Aug., 1960	+25.7	+9.3	−0.9	+2	+1.4	+0.7
NORTHERN ILLINOIS							
Chicago		$32,645	983,156	$354,616		$18,736	$13,444
Percentage change from	July, 1961	+26.1	+5.7	−9.3	+14	+5.7	+10.3
	Aug., 1960	+57.0	+8.2	−1.0	+3	+1.5	+0.8
Aurora		$ 636	n.a.	$ 7,638		$ 78	$ 166
Percentage change from	July, 1961	−21.0		−9.8	+12	−0.3	+9.1
	Aug., 1960	−44.8		−12.2	−2	−7.3	+3.9
Elgin		$ 481	n.a.	$ 5,676		$ 53	$ 121
Percentage change from	July, 1961	−16.9		−1.9	n.a.	−2.4	+0.8
	Aug., 1960	−34.5		+1.7		+0.1	+1.9
Joliet		$ 766	n.a.	$10,065		$ 100	$ 111
Percentage change from	July, 1961	+29.0		−12.5	+8	+6.6	−1.4
	Aug., 1960	+87.3		+3.6	−1	+3.2	+4.3
Kankakee		$ 94	n.a.	$ 5,154		n.a.	$ 57
Percentage change from	July, 1961	−6.0		−2.1	n.a.		−10.5
	Aug., 1960	−19.0		+9.6			−13.6
Rock Island-Moline		$ 960	31,221	$ 9,751		$ 116[b]	$ 157
Percentage change from	July, 1961	−13.0	+12.1	−11.2	n.a.	−7.1	−9.1
	Aug., 1960	−80.7	+16.7	−7.1		−0.3	−20.0
Rockford		$ 745	57,471[c]	$17,721		$ 217	$ 220
Percentage change from	July, 1961	−38.6	+12.4	−6.7	+16[c]	+1.5	−4.6
	Aug., 1960	−42.2	+15.3	+8.9	−9[c]	+6.6	+5.1
CENTRAL ILLINOIS							
Bloomington		$ 234	13,438	$ 5,358		$ 90	$ 114
Percentage change from	July, 1961	−55.0	+17.5	−3.6	n.a.	−2.4	+3.0
	Aug., 1960	+8.3	+26.0	+5.8		+7.7	+8.5
Champaign-Urbana		$ 509	17,552	$ 7,723		$ 82	$ 112
Percentage change from	July, 1961	+64.2	+5.7	−10.9	n.a.	−11.5	−3.9
	Aug., 1960	−21.0	+11.8	+6.4		+4.7	−0.1
Danville		$ 168	17,394	$ 5,868		$ 55	$ 71
Percentage change from	July, 1961	+6.3	+14.1	−10.9	+16[c]	+4.2	−2.5
	Aug., 1960	−41.9	+9.5	+3.7	+3[c]	−0.3	+14.3
Decatur		$ 1,114	41,835	$10,389		$ 113	$ 122
Percentage change from	July, 1961	+54.7	+23.2	−11.5	+8	−10.9	−2.1
	Aug., 1960	+69.3	+15.5	+0.4	−6	−3.5	−2.7
Galesburg		$ 582	9,273	$ 3,828		n.a.	$ 45
Percentage change from	July, 1961	+40.6	+7.3	−18.1	n.a.		−4.4
	Aug., 1960	+318.7	−5.2	−8.7			−7.1
Peoria		$ 4,582	71,085[c]	$14,621		$ 240	$ 306
Percentage change from	July, 1961	+687.3	+18.7	−13.5	+28	−3.6	+8.3
	Aug., 1960	+517.5	+7.9	−4.2	+6	+3.5	+7.7
Quincy		$ 389	15,645	$ 4,947		$ 50	$ 63
Percentage change from	July, 1961	+109.1	+21.2	−11.2	n.a.	−4.1	−6.6
	Aug., 1960	+64.8	+14.9	+1.1		−4.3	−13.7
Springfield		$ 1,054	55,808[c]	$12,181		$ 140	$ 270
Percentage change from	July, 1961	+124.7	+35.8	−8.8	+23[c]	−3.5	−22.3
	Aug., 1960	−23.5	+15.3	−0.9	+4[c]	−3.9	+5.9
SOUTHERN ILLINOIS							
East St. Louis		$ 187	20,131	$ 7,705		$ 141	$ 72
Percentage change from	July, 1961	+156.2	+10.4	−12.1	n.a.	+8.9	+75.0
	Aug., 1960	+10.0	0.0	−10.2		−6.2	−10.5
Alton		$ 220	28,708	$ 4,840		$ 45	$ 36
Percentage change from	July, 1961	+6.3	+20.9	−6.5	n.a.	−4.2	+4.8
	Aug., 1960	−42.6	+14.0	−0.5		−4.5	−9.6
Belleville		$ 141	14,390	$ 4,460		n.a.	$ 52
Percentage change from	July, 1961	−47.4	+14.9	−14.8	n.a.		−1.6
	Aug., 1960	−92.5	+6.8	−1.8			+11.7

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] Local sources. Data include federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for July, 1961. Comparisons relate to June, 1961, and July, 1960. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending August 18, 1961, and August 19, 1960.

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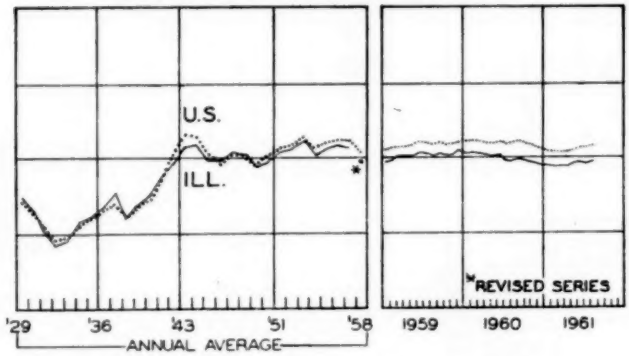
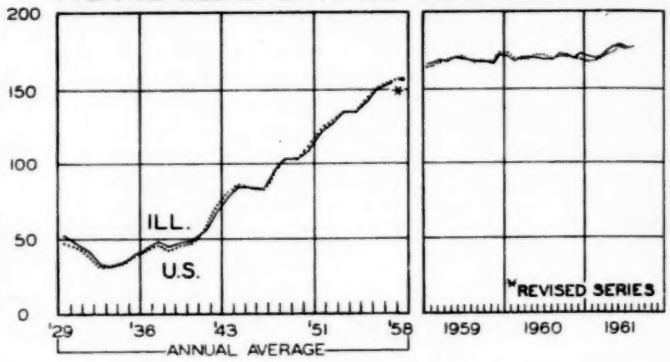
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

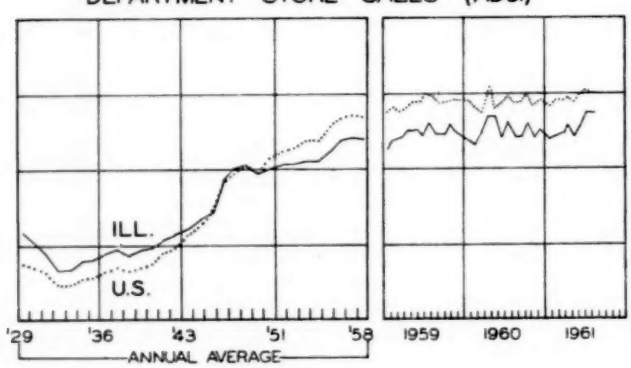
EMPLOYMENT MANUFACTURING



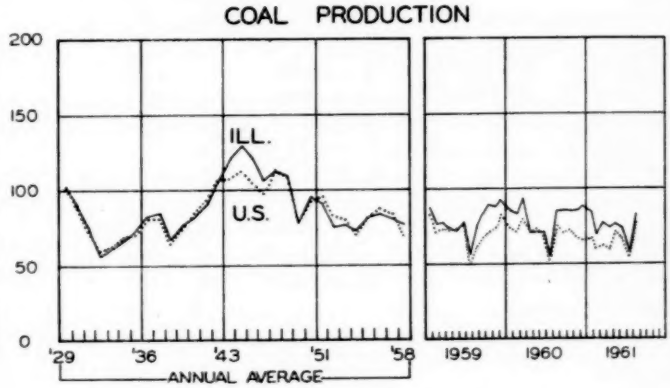
AVERAGE WEEKLY EARNINGS—MANUFACTURING



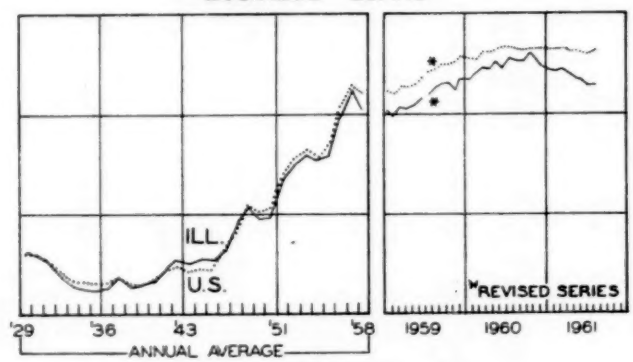
DEPARTMENT STORE SALES (ADJ.)



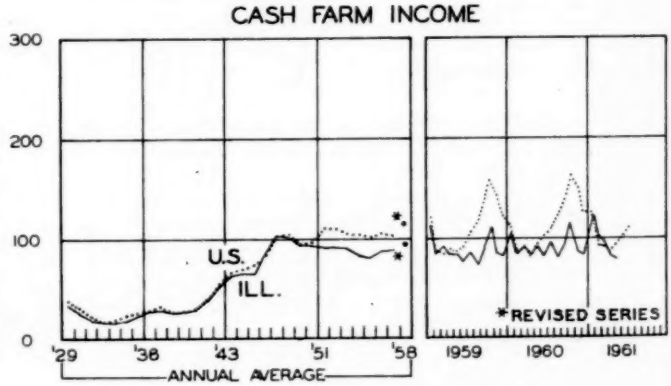
COAL PRODUCTION



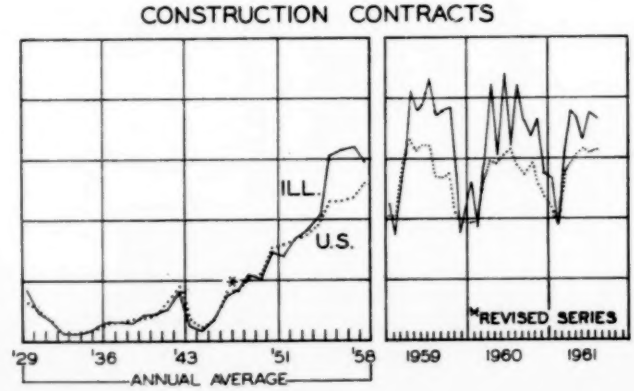
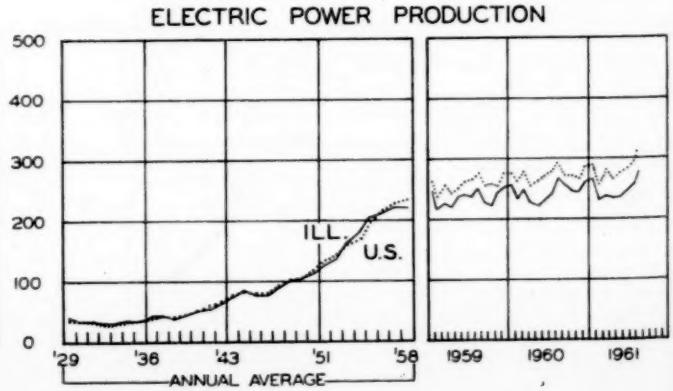
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS



ELECTRIC POWER PRODUCTION